

## Message Text

CONFIDENTIAL

PAGE 01 LIMA 01629 201250Z

71

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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CIEP-01 LAB-04 SIL-01 OMB-01 /084 W

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R 192150Z FEB 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 8922

C O N F I D E N T I A L LIMA 1629

E.O. 11652: GDS

TAGS: PINT, ELAB, PE

SUBJECT: GOP RAISES WAGE CEILING IN RESPONSE TO LABOR PROTEST

REF: LIMA 1050 AND LIMA 1346

1. IN ITS FEBRUARY 17 SESSION THE COUNCIL OF MINISTERS ISSUED A DECREE LAW MODIFYING THE WAGE CEILINGS WHICH HAD FORMED AN INTEGRAL PART OF THE AUSTERITY PROGRAM ANNOUNCED BY FINANCE MINISTER BARUA ON JANUARY 12. THE DECREE RAISES THE LIMIT OF NEGOTIATED WAGE INCREASES "WHEN CONDITIONS OF PRODUCTIVITY AND PROFITABILITY OF THE ENTERPRISE PERMIT" FROM A MAXIMUM OF 1650 SOLES PER MONTH (OR 55 SOLES PER DAY) TO A MAXIMUM OF 2100 SOLES PER MONTH (OR 70 SOLES PER DAY). THE NEW DECREE ALSO PERMITS THE HIGHER WAGE INCREASES TO APPLY INTER ALIA TO SUNDAY WORK, HOLIDAYS, OVERTIME, VACATION PERIODS AND FOR THOSE ON APPROVED LEAVE FOR TRADE UNION WORK. ORIGINAL DECREE HAD PROVIDED FOR THE 1650 SOLES MAXIMUM (ABOVE THE 850 SOLES PER MONTH DECREED FOR ALL WORKERS) TO BE PAID ONLY FOR SUNDAY AND HOLIDAY WORK AS WELL AS VACATION TIME BUT SPECIFICALLY EXCLUDING OVERTIME PAY AND TRADE UNION LEAVE.

2. TEXT OF DECREE STATES THAT WAGE MODIFICATIONS ARE "IN ACCORD WITH THE POLICY OF THE REVOLUTIONARY GOVERNMENT OF THE

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PAGE 02 LIMA 01629 201250Z

ARMED FORCES" AND BASED ON "THE COUNTRY'S ECONOMIC CAPACITY,

WORKER NEEDS AND ENTERPRISE PROFITABILITY". GOP DAILY LA CRONICA HEADLINED FEBRUARY 18 THAT WAGE MODIFICATIONS WERE A RESULT OF THE RECENT DIALOGUE BETWEEN PRESIDENT MORALES BERMUDEZ AND THE FRONT FOR THE DEFENSE OF THE REVOLUTION (LIMA 1050).

3. COMMENT: WAGE CEILING INCREASE IS FURTHER GOP ATTEMPT TO REDUCE TENSIONS IN LABOR AREA AND PREVENT COALESCENCE OF A UNIFIED LABOR OPPOSITION TO GOP ECONOMIC POLICY. DECREE SHOULD DEFLATE SOMEWHAT MASS LABOR RALLY NOW PROGRAMMED FOR FEBRUARY 25 (LIMA 1346). PRIME MINISTER FERNANDEZ MALDONADO TOLD DCM AT FEBRUARY 18 LUNCHEON THAT FEBRUARY 25 LABOR MEETING WOULD BE A BIG ONE BUT CROWD WOULD BE NO WHERE NEAR THAT PREDICTED BY RALLY SPONSORS. FERNANDEZ MALDONADO OPINED THAT MODIFICATION OF THE WAGE DECREE LAW WOULD TAKE THE STEAM OUT OF LABOR OPPOSITION TO GOP ECONOMIC MEASURES. GOP IS DILIGENTLY WORKING TO HALT TREND TOWARD COMMON LABOR ACTION AND HAS PRESSURED LIMA CTRP INTO PULLING OUT OF COMMUNIST-LED LABOR UNIFYING COUNCIL AND WITHDRAWING CTRP SPONSORSHIP OF RALLY.

4. ALTHOUGH IT WAS POTENTIAL LABOR UNREST THAT BROUGHT ABOUT DECREE MODIFICATION, THE GOP HOPES THAT CHANGE WILL HELP CREATE IMAGE THAT THE FRONT FOR THE DEFENSE OF THE REVOLUTION IS THE VALID PEOPLE'S SPOKESMAN TO WHICH THE GOVERNMENT PAYS HEED. ISSUANCE OF DECREE MAY MEAN THAT THE COUNSEL OF FERNANDEZ MALDONADO, WHO IS SENSITIVE TO POLITICAL PRESSURES FROM LABOR AND THE LEFT, IS PREVAILING IN THE COUNCIL OF MINISTERS OVER THE ADVICE OF ECONOMISTS LED BY FINANCE MINISTER BARUA. THE RIGID AUSTERITY DECREES, IF NOT UNRAVELING, AT LEAST SHOW SIGNS OF WEAR.  
DEAN

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## Message Attributes

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